

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

**DATE OF IMPACT STATEMENT:** February 17, 2023

**BILL NUMBER:** HB 2693 **STATUS AND DATE OF BILL:** Introduced 1/12/2023

**AUTHORS:** House Hays Senate n/a

**TAX TYPE (S):** Franchise Tax **SUBJECT:** Tax Levy

**PROPOSAL:** Amendatory

HB 2693 proposes to phase out the Oklahoma franchise tax levied under 68 O.S. § 1203 and § 1204 beginning with returns for the period ending June 30, 2024 with the franchise tax being fully eliminated for periods after June 30, 2027.

**EFFECTIVE DATE:** July 1, 2023 - Emergency

**REVENUE IMPACT:**

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 24: Decrease in franchise tax collections of \$10.5 million

FY 25: An additional decrease in franchise tax collections of \$8.1 million.<sup>1</sup>

Feb 20, 2023  
DATE

Rick Miller  
DIVISION DIRECTOR

mk

2/20/2023  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/20/2023  
DATE

Joseph P Gappa  
FOR THE COMMISSION

***The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.***

<sup>1</sup> The total decrease in revenue from the phase out of franchise tax can be found on page 2.

**ATTACHMENT TO REVENUE IMPACT - HB 2693[Introduced] Prepared 2/17/23**

HB 2693 proposes to phase out the Oklahoma franchise tax levied under 68 O.S. § 1203 and § 1204 beginning with returns for the period ending June 30, 2024 with the franchise tax being fully eliminated for periods after June 30, 2027.

Under current law, Oklahoma levies an annual franchise tax on all corporations that do business in the State of Oklahoma.<sup>2</sup> Corporations are taxed \$1.25 for each \$1,000 of capital invested or used in Oklahoma. Foreign corporations are additionally assessed \$100 per year, payable to the Oklahoma Tax Commission, for the Secretary of State to act as their registered agent. The maximum annual tax is \$20,000. Entities that have a calculated franchise tax of \$250 or less are not required to remit the tax. Limited liability companies, as defined by Section 2001 of Title 18 of the Oklahoma Statutes, are not subject to Oklahoma franchise tax.

This measure proposes to phase out the franchise tax levied by reducing the tax rate as shown in the chart below.

Current Levy	\$1.25 for each \$1,000 of capital
Returns for period ending 6/30/2024	\$1.00 for each \$1,000 of capital
Returns for period ending 6/30/2025	\$0.75 for each \$1,000 of capital
Returns for period ending 6/30/2026	\$0.50 for each \$1,000 of capital
Returns for period ending 6/30/2027	\$0.25 for each \$1,000 of capital
Returns for period ending 6/30/2028 and subsequent periods	\$0.00 for each \$1,000 of capital

The chart below shows the estimated additional decrease in revenue for each rate proposed. Under the current forecast, a full phase out of franchise tax would result in a decrease in franchise tax collections of \$55.9 million.<sup>3</sup>

Rate	Estimated additional decrease
\$1.00 for each \$1,000 of capital	\$10,494,000
\$0.75 for each \$1,000 of capital	\$8,144,000
\$0.50 for each \$1,000 of capital	\$9,216,000
\$0.25 for each \$1,000 of capital	\$11,190,000
\$0.00 for each \$1,000 of capital	\$16,829,000
TOTAL	\$55,873,000

<sup>2</sup> Oklahoma franchise tax is generally due and payable July 1st of each. The report and tax are delinquent if not paid on or before September 15. However, for corporations who remit the maximum amount of \$20,000 in the preceding tax year, the tax is due and payable on May 1st of each year and delinquent if not paid on or before June 1st.

<sup>3</sup> Oklahoma Tax Commission Letter to the Office of Management and Enterprise Services regarding the Revenue Forecast for FY 2024; February 13, 2022